

LISTENING TO MINNESOTANS: TRANSFORMING MINNESOTA'S HEALTH CARE SYSTEM



EXECUTIVE SUMMARY

FEBRUARY 23, 2004

Minnesota Citizens Forum on Health Care Costs

www.mncitizensforum.org

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*Al Fallenstein was tragically taken from us in an automobile accident in December.
He remains with us in spirit.

Executive Summary

A CRISIS OF AFFORDABILITY. The average Minnesota household pays \$11,000 per year for health care in taxes, premiums, and out-of-pocket costs for themselves and others. If health care costs continue to grow at the current rate, the cost per household will reach \$22,000 by the year 2010. Without a change, our health care system will be priced out of reach of most Minnesotans. Businesses are also being hit hard by the increasing health care costs. In the past four years, insurance premiums have grown 3½ times faster than the state's economy and workers' wages. As health care costs continue to grow, employers have less money to spend on wage increases and other benefits for employees. Rising health care costs are also breaking the back of state and local governments. The relentless rise in health care costs has forced the Minnesota Legislature to divert millions of dollars away from education, roads, and the environment. Based on a three percent growth rate each year in the state's total health care spending and no reduction in the monthly cost of the average enrollee, by the year 2007, lawmakers will be faced with a decision of whether to cut another 104,000 low income Minnesotans from government health care programs.

PEOPLE PAY FOR HEALTH CARE. In our current financing system, people are in the dark about health care costs and excluded from most decisions about coverage and financing. Most Minnesota households pay less than a third of the cost of health care directly out of their own pockets. The rest is paid by employers and government in ways that are hidden from view. Even this money is actually coming out of people's pockets, they just don't realize it. Government uses our tax dollars for government programs and for health insurance for public employees. Employers pay their share of the health insurance premium using employee benefit dollars that might otherwise be paid to workers in additional wages or other benefits. Businesses build the cost of their share of health care premiums into the price of goods and services we purchase every day. Ultimately, people, not government or insurance companies, pay for everything and they should be fully informed and involved in decisions affecting their pocketbooks.

SERVING THE PEOPLE. Past efforts to keep health care affordable – from government price controls to managed care – have had at best only temporary success because they did not have public support. People felt the changes were forced on them by outside forces in a health care system they did not trust. To have lasting success, control of the health care system must be given back to the people who use and pay for it. Minnesota has earned a national reputation for leadership and innovation in health care. That success has always come from the ability to listen to citizens and to trust their collective judgment. The starting point must be the shared community values of Minnesotans and the goal must be a health care system where the individual is in control of his or her own care and coverage.

LISTENING TO PEOPLE. At the request of Governor Tim Pawlenty, the Minnesota Citizens Forum on Health Care Costs (Minnesota Citizens Forum) spent November and December, 2003 listening to Minnesotans. Town hall meetings and informal listening sessions were held across the state. An online survey was developed to solicit information from those who were not able to attend the town hall meetings. Ideas sent by Minnesotans through the mail and the Internet were read. Surveys and other research on public opinion

in Minnesota were studied. The Minnesota Citizens Forum worked with the Minnesota Board on Aging and the Minnesota Governor's Council on Developmental Disabilities to conduct a survey of a representative sample of 800 Minnesotans. In the end, a surprising amount of agreement was found about what Minnesotans expect from the health care system and what they think should be done about rising costs. Our first report, *"Listening to Minnesotans: the First Step towards Building a Better Health Care System,"* describes the results of the dialogue with Minnesotans in detail.

In addition to talking with the public, we also sought the ideas and advice of experts and leaders from health care, business and government. We were impressed. Most major business and health care trade associations submitted detailed proposals for improving health care. We found that they, like the general public, agree about more things than they disagree about. They know major changes are needed and are ready and willing to work together. Our recommendations are built on the large expanse of common ground that exists among Minnesota citizens and leaders from health care, business and government.

MAJOR CHANGE IS NEEDED. There is a big gap between what people want and what the current system delivers. Many Minnesotans said we will not be able to fix the health care system without making major changes. Isolated, band-aid approaches will not have a lasting effect. They may even have the unintended effect of increasing health care costs further. Minnesotans are ready for change and are willing to do their part.

WE ARE ALL IN THIS TOGETHER. Few of us can afford to pay the costs of a serious illness without insurance. We use a health insurance model to share the risk with others. In any given year, 20 percent of us will use no health care services while one percent will consume 27 percent of all health care dollars. By sharing the risk through insurance, we can afford health care when we need it. We count on the system to balance individual needs with the needs of others. The Minnesota Citizens Forum discovered Minnesotans understand this concept and embrace it, but they have lost faith in the system's ability to do this fairly. They lack trust because they are left in the dark and do not have a say in important decisions. Restoring trust in the system is the key to making sustainable improvements Minnesotans can support.

BUILDING ON EXISTING EFFORTS. We were very impressed with the commitment and leadership shown by Minnesota's health care community, business community and public officials. Minnesota is a hotbed of nationally recognized leadership and innovation in health care. Our health care system has a strong climate of creativity, collaboration and commitment. Activities are already underway that take us halfway to our vision of how Minnesota's health care system should work. Our goal is to build on these existing efforts rather than create new ones. We want to foster an environment that encourages collaboration among existing efforts, eliminates redundancies and capitalizes on the ability to create successful new models for health care delivery.

CHARGED WORDS. Because the health care reform discussion is so politically charged, some words have become associated with a particular political or philosophical agenda or mean different things to different people. We tried to avoid loaded terms such as "universal coverage," "free market system," "consumer-driven health care," "evidence-based medicine," "personal responsibility" and "single-payer health care system." When we used these terms, we tried to explain what we meant. For example, when we use the term "health

care” in this report, we are using it in its broadest sense – to include mental health, dental health, and long-term care – even though we have not developed specific recommendations in these areas.

COMPETITION IN A WELL-FUNCTIONING HEALTH CARE SYSTEM. The polarized, political debate between a “single-payer” system (a universal, government-financed health insurance plan that covers everyone) and a “free market” health care system (where government plays a minimal role in regulating or managing health care) continues. In the mean time, nothing changes and we slip deeper into the health care cost crisis. The Minnesota Citizens Forum looked to Minnesotans for the answer. We found that almost all Minnesotans agree on two fundamental principles: (1) they want a responsive system where everyone gets the health care they need, and (2) they want a privately-based health care system that offers as much choice as possible. Our recommendations will lead to a uniquely Minnesotan universal health care system that promotes healthy private sector competition while assuring the overall system serves the best interests of all Minnesotans.

A VISION FOR THE FUTURE. We believe Minnesotans deserve a health care system that delivers better health and equitable to safe, high quality treatment at an affordable price. Everyone must do their part to realize the vision, including individuals, communities, those who work in the system and those who finance it. Some of these changes can be implemented immediately; many of the changes will require years of work and will succeed only if there is steady leadership from committed individuals.

GENERAL RECOMMENDATIONS

The current health system is very complex, but it is simple to describe what needs to change. We can drive a car without knowing exactly how the engine works. The following recommendations require major changes, but by working together and building on existing efforts already underway, the job will get done. For each recommendation, we have identified actions that should be taken to implement the recommendation. Time is essential, we must act now.

- 1. PUT MINNESOTANS IN THE DRIVER’S SEAT.** Minnesotans should make the decisions about health care, both individually and collectively. This is a paradigm shift from the current system where many of the most important decisions are made by employers, health plans, health care professionals and government. Minnesotans need to define what the health care system should do as opposed to the system defining itself. There also needs to be a collective discussion on how to fund the system and what affordability means. Employers, HMOs, and health insurance companies should play a supportive role, but not the lead role. This means we will have to rethink what the marketplace should look like.
 - a. Give individuals more choices and control of their health care treatment, with incentives for choosing higher quality, lower cost providers; however, consumer-centered health care should not create financial barriers that prevent people from getting preventive care and cost-effective services.**

- b. **Give individuals the opportunity to choose from a full array of health plan choices ranging from low-cost to high-cost, while preserving the basic concept of insurance which uses money from the currently healthy to subsidize the currently sick.**
 - c. **Make sure individuals with a chronic disease or disability can afford to receive the care they need to avoid preventable complications of disease.**
 - d. **Establish a permanent process for a continuing dialogue with the public and for conducting research on Minnesotans needs, values and preferences.**
- 2. FULLY DISCLOSE COSTS AND QUALITY.** Minnesotans should be fully informed about health care costs and quality and able to compare the price and quality of health care providers and health plans in order to make informed decisions. This will be eye-opening for the public. Most people have no idea how much variation exists in quality and price. As members of a community, they should know where the money goes, how it is used, who profits from it, and what quality and outcomes they are getting for their money.
- a. **Give Minnesotans detailed information on prices costs and financing in the current system.**
 - b. **Create a health care information web site with comprehensive information about health care costs and quality in Minnesota (see recommendation 3 on quality).**
 - c. **Implement a public awareness campaign to increase the public's knowledge of the costs of health care.**
- 3. REDUCE COSTS THROUGH BETTER QUALITY.** During the dialogue with Minnesotans, many examples were given of how health care dollars are often wasted on ineffective treatments, mistakes and poor quality care. By some estimates, 30 to 40 percent of health care dollars are spent on ineffective and unnecessary care. Health care costs can be reduced by improving quality of care and eliminating health disparities.
- a. **Change payment systems to reward better quality and effectiveness.**
 - b. **Standardize methods of measuring and reporting quality.**
 - c. **Give Minnesotans quality information about health plans and health care providers.**
 - d. **Bring together existing quality initiatives in a state forum to coordinate existing quality improvement efforts and develop a statewide quality plan that will achieve specific quality improvement goals.**

- e. **Test new improvements in care for persons with chronic disease and disability.**
 - f. **Define "quality" to include cultural competence and no disparities in health status, access and quality.**
- 4. CHANGE INCENTIVES TO ENCOURAGE HEALTH.** The current system does not reward individuals for healthy lifestyles, nor does it reward health care providers for improving a patient's health. The broader environment, too, does not encourage good health. Super-sized, caloric, high-fat fast food has replaced home-cooked meals. Poor diet, lack of exercise, high stress lifestyles, and smoking result in higher rates of obesity, heart disease, cancer and mental illness. Incentives in the health care system should be changed to produce better health and outcomes, and together we should seek to create healthier communities.
- a. **Change payment systems across the entire health care system so that incentives produce better health.**
 - b. **Reward people who maintain good health with discounts on health care, lower premiums, or other benefits.**
 - c. **Encourage employers and communities to provide programs and incentives to influence individuals to adopt healthier behaviors.**
 - d. **Strengthen the state's efforts to reduce tobacco use, with a special focus on youth smoking.**
 - e. **Add a \$1.00 per pack user fee on cigarettes to reduce smoking rates and raise revenue for state efforts to reduce smoking, improve health and provide access to uninsured Minnesotans.**
 - f. **Launch an aggressive campaign to reduce obesity, especially among children.**
 - g. **Strengthen the public health system through community partnerships and adequate funding.**
- 5. ASSURE UNIVERSAL PARTICIPATION IN THE HEALTH CARE SYSTEM.** Minnesotans are strongly in support of a health care system where everyone has access to needed health care. Access to health care may be limited by financial, geographic, linguistic or cultural barriers. These barriers result in poorer health, lack of preventive care and delays in needed treatment, all of which add cost to the system. We must work together to eliminate barriers so that everyone has health care coverage and is able to get the services they need. However, a universal system is not just about access and coverage, it is also about meaningful participation by individuals so we have a health care system in which everyone receives needed health care, including preventive care, at a cost they can afford and everyone contributes to better health. We share the financial risk of medical expenses through insurance so that we can afford health care when we need it. If

everyone is not paying in, especially when healthy, we run the risk that others will not receive care when they need it.

- a. **Set a goal of “universal participation” in the health care system, which is broader than just universal access or coverage.**
 - b. **Continue the state’s commitment to the goal of health coverage for all Minnesotans, with a priority for covering children.**
 - c. **Give uninsured Minnesotans access to affordable basic preventive care and other cost-effective services that will improve their health and reduce the need for more costly treatment.**
 - d. **Require participation in the health care system by uninsured Minnesotans who can afford to buy health coverage but choose not to.**
 - e. **Change the current system of financing uncompensated care for the uninsured to eliminate cost-shifting and spread the burden more equitably.**
 - f. **Eliminate non-economic barriers to access for needed health care services.**
 - g. **Reform the insurance market and promote purchasing pools to create better opportunities for individuals and small businesses.**
6. **SUPPORT NEW MODELS FOR HEALTH CARE EDUCATION.** Minnesota is facing a growing shortage of health care workers even in areas typically not affected by worker shortages. The existing workforce cannot keep up with current demand, nor is it adequately prepared for the rapid changes that are taking place in our state’s demographic makeup and the revolution of medical technology treatment. **Support new models for health care education to meet Minnesota’s changing health care needs.**
7. **REDUCE THE COST OF OVERHEAD AND ADMINISTRATION.** The complexity, duplication, and lack of accountability in the current system results in unnecessary costs for overhead and administration. Significant savings can be achieved by streamlining and standardizing administrative procedures and government regulations. New electronic technology offers an opportunity for further savings.
- a. **Establish uniform health care industry standards for electronic billing, electronic medical records, reports and other administrative procedures.**
 - b. **Use health care industry partnerships to facilitate the rapid adoption of new electronic technologies that will improve efficiency and service and reduce administrative costs.**

- c. **Adopt a new approach to state health care regulation.**
- d. **Reform health care taxes.**

HOW TO GET THERE

A major effort is needed to make the transformational changes recommended above. The good news is that much agreement exists about the direction we need to go; everyone seems ready to do their part, and leaders are stepping forward to spearhead the effort. These three ingredients – vision, commitment and leadership – will get us to our goal. We suggest the following specific steps to get started, but all should be done in a way that is open to the public and maximizes participation of Minnesotans to assure that the changes truly serve the needs of Minnesotans.

- 8. **STATE LEADERSHIP.** The State of Minnesota will lead the way by changing the way the state carries out its role as purchaser, regulator and provider of health care services. On Friday, February 6, 2004, Governor Pawlenty announced that the State of Minnesota will develop a **united state health care purchasing and regulatory strategy** that will set an example for the entire state.
- 9. **BUYERS ALLIANCE.** With state leadership, consumers, employers and other buyers can be brought together to form a **united buyers alliance** to get the leverage needed to drive major changes in the health care delivery system. Governor Pawlenty and some of the state's largest employers and business organizations have agreed to provide leadership.
- 10. **PUBLIC/PRIVATE PARTNERSHIP.** Once consumers and buyers make it clear what is expected from their health care system, the health care industry will respond. An action-oriented, **public/private partnership** is needed to help the health care industry retool and work together to manage a seamless transition from the old way to the new way of doing things. Private leaders from health care and business will work with Governor Pawlenty to organize this activity.
- 11. **BIPARTISAN LEGISLATIVE WORK GROUP.** While much can be accomplished through public and private collaboration without the need for legislation, the Minnesota Legislature will play an important role in changing the state's public policy to support improvements in health care. Health care leaders in the House and Senate from both parties have agreed to work together and with the Governor, in a bipartisan way, to agree on public policies and draft legislation for the 2005 legislative session.